

Belize

RISK & COMPLIANCE REPORT

DATE: March 2017

Executive Summary - Belize

Sanctions:	None
FAFT list of AML Deficient Countries	No
Higher Risk Areas:	US Dept of State Money Laundering assessment Not on EU White list equivalent jurisdictions International Narcotics Control Majors List Offshore Finance Centre
Medium Risk Areas:	Weakness in Government Legislation to combat Money Laundering Corruption Index (Transparency International & W.G.I.) World Governance Indicators (Average Score) Fragile States Index (Political Issues)(Average Score)

Major Investment Areas:

Agriculture - products:

bananas, cacao, citrus, sugar; fish, cultured shrimp; lumber

Industries:

garment production, food processing, tourism, construction, oil

Exports - commodities:

sugar, bananas, citrus, clothing, fish products, molasses, wood, crude oil

Exports - partners:

US 30.8%, UK 21.2%, Nigeria 4.8%, Costa Rica 4.1% (2012)

Imports - commodities:

machinery and transport equipment, manufactured goods; fuels, chemicals, pharmaceuticals; food, beverages, tobacco

Imports - partners:

US 23.1%, Germany 14.6%, Mexico 11.2%, Cuba 9.1%, Guatemala 5.4%, China 4.5%, Trinidad and Tobago 4.1% (2012)

Investment Restrictions:

The Belize Trade and Investment Development Service (BELTRAIDE, www.belizeinvest.org.bz) is the country's official trade and investment promotion agency. BELTRAIDE identified the following economic sectors as priority areas to attract investments: agriculture, agro-industries, food processing and livestock, tourism and tourism-related industries, aquaculture and mari-culture, light-manufacturing industries and assembly plants, call centres and information communication technology, renewable energy.

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Section 1 - Background

Belize was the site of several Mayan city states until their decline at the end of the first millennium A.D. The British and Spanish disputed the region in the 17th and 18th centuries; it formally became the colony of British Honduras in 1854. Territorial disputes between the UK and Guatemala delayed the independence of Belize until 1981. Guatemala refused to recognize the new nation until 1992 and the two countries are involved in an ongoing border dispute. Guatemala and Belize plan to hold a simultaneous referendum, set for 6 October 2013, to determine if this dispute will go before the International Court of Justice at The Hague. Tourism has become the mainstay of the economy. Current concerns include the country's heavy foreign debt burden, high unemployment, growing involvement in the Mexican and South American drug trade, high crime rates, and one of the highest HIV/AIDS prevalence rates in Central America.



Section 2 - Anti – Money Laundering / Terrorist Financing

FATF status

In May 2015 the Caribbean Financial Action Task Force (CFATF) acknowledged the significant progress made by Belize in improving its AML/CFT regime and notes that Belize has established the legal and regulatory framework to meet its commitments in its agreed Action Plan regarding the strategic deficiencies that the CFATF had identified. Belize is therefore no longer subject to the CFATF ICRG monitoring process.

Compliance with FATF Recommendations

The May 2015 CFATF Plenary recognised that Belize had made significant progress in addressing the deficiencies identified in their 2011 Mutual Evaluation Report and therefore exited the follow-up process.

Belize has addressed the deficiencies noted in the Core and Key Recommendations rated PC/NC (R. 1, 4, 5, 10, 13, 23, 35, 40, SR. I – V) to a level of compliance that is comparable to at least an LC.

Key Findings from latest Mutual Evaluation Follow-up Report (2015):

Overview of the main changes since the adoption of the Mutual Evaluation Report (MER)

Since the adoption of the MER in 2011, Belize has sought to correct the deficiencies identified in its AML/CFT regime in the MER through the enactment and amendment of legislation, the provision of additional technical and human resources, appropriate stakeholder AML/CFT training and implementation of relevant AML/CFT systems. Legislative changes began with the enactment of the MLTPAA 2013 in February 2013. The MLTPAA 2013 includes provisions covering customer due diligence (CDD) record-keeping and retention, reporting and internal AML/CFT control systems, wire transfers, introduced customers, foreign branches and subsidiaries and sanctions. In October 2013, eleven amending statutes were enacted. In February 2014, five amending statutes including the MLTPAA 2014 together with a new law, two sets of regulations and amending regulations were also enacted. In October, the Gaming Control Act was extensively amended and Administrative Penalty Regulations for the gaming sector were put in place. In addition, the FIU issued in 2014 AML/CFT Guidelines for DNFBPs and Instructional Notes on Making STRs. These measures sought to address shortcomings in Belize's AML/CFT legal framework as identified in the MER. Increased technical and human resources have been provided to the FIU, the Customs Department, law enforcement agencies, the Ministry of Foreign Affairs and the Attorney General's Ministry. AML/CFT training has also been provided to the already mentioned agencies, the judiciary, the financial institutions and the DNFBPs. Belize has also been submitting statistics demonstrating implementation regarding its AML/CFT reporting, supervisory and international

co-operation systems. These measures are evidence of Belize's commitment to deal with the deficiencies in its AML/CFT framework.

US Department of State Money Laundering assessment (INCSR)

Belize is categorised by the US State Department as a Country/Jurisdictions of Primary Concern in respect of Money Laundering and Financial Crimes.

OVERVIEW

Belize is not a key regional financial center, though it has an offshore financial sector. Belize is a transshipment point for marijuana and cocaine. FTZs are routinely used to move money across borders. Belize is vulnerable to money laundering due to the lack of enforcement of its laws and regulations, strong bank secrecy protections, geographic location, and weak investigatory and prosecutorial capacity. The sources of money laundering in Belize are drug trafficking, tax evasion, securities fraud, and conventional structuring schemes.

VULNERABILITIES AND EXPECTED TYPOLOGIES

The Government of Belize continues to permit financial activities that are vulnerable to money laundering, including offshore banks, insurance companies, trust service providers, mutual fund companies, and IBCs. The Belizean dollar is pegged to the U.S. dollar.

Belize has two FTZs. The Corozal Free Zone, the larger of the two with 282 operating businesses, is located in the north on the border with Mexico, and the Benque Viejo Free Zone is located on the western border with Guatemala. Belizean law enforcement agencies strongly suspect there is money laundering and illicit importation of duty free products in the FTZs.

There are also large sums of cash suspected to be moving through the FTZs. With the arrival of a new Director General in July 2016, the Belize International Financial Services Commission implemented enforcement of previously-approved fee increases and more stringent due diligence requirements on the offshore financial sector.

The FIU, Customs & Excise Department, and Belize Police Department, who are all actors in the fight against money laundering, face challenges such as political interference, corruption, and human resource and capacity limitations.

KEY AML LAWS AND REGULATIONS

Belize has made efforts to strengthen its AML regulatory regime. In 2016, Belize enacted amendments to its Money Laundering and Terrorism Act to address terrorist financing matters. In addition, Belize has regulations in place for PEPs in line with international standards.

Belize has comprehensive CDD and STR regulations. CDD-covered entities include

domestic and offshore banks; venture risk capital; money brokers, exchanges, and transmission services; moneylenders and pawnshops; insurance entities; real estate intermediaries; credit unions and building societies; trust and safekeeping services; casinos; motor vehicle dealers; jewelers; international financial service providers; public notaries, attorneys, accountants, and auditors; FTZ businesses; and NGOs.

There are mechanisms in place for information exchanges between the United States and Belize, as well as between Belize and numerous other countries. However, Belize is slow to respond to requests from foreign FIUs. INTERPOL requests are routinely ignored.

AML DEFICIENCIES

The FIU's mandate to conduct its AML enforcement responsibilities far exceeds its capacity. This is in large part due to limited human resources and high turnover rates of contractual staff members. Leadership continuity is an issue as there have been three FIU Directors in as many years. In an effort to compensate for staffing deficiencies, the FIU has called upon senior attorneys in private practice to lead the prosecution of serious or complex cases due to the lack of experience of the two prosecutors on staff at the FIU.

Belize is making efforts to address its AML deficiencies. The FIU trained both offshore and onshore entities, including international financial service providers, credit unions, and money transfer service providers. Additionally, the FIU conducted outreach and sensitization visits in the Benque Viejo FTZ. The FIU also reportedly conducted 21 on-site compliance examinations of businesses in the Corozal FTZ.

ENFORCEMENT/IMPLEMENTATION ISSUES AND COMMENTS

In 2016, the FIU signed MOUs with the Belize Police Department, Customs and Excise Department, and the Tax Department. Increased information and resource sharing could enhance Belize's capacity to address money laundering. Belize has also initiated a national risk assessment with technical assistance from international experts. This will identify money laundering risks and provide a strategic map for further actions.

To address issues of corruption within Belize, the country became a party to the UNCAC on December 12, 2016.

Belize prosecuted and convicted five people in 2016 for either failure to declare more than \$5,000 (the threshold increased to \$10,000 in April 2016) in cash when entering or leaving Belize. However, there were no major money laundering prosecutions. Belize has struggled to investigate money laundering and other financial crimes, resulting in a low number of money laundering prosecutions and convictions. The judiciary branch expressed concern about the sustainability of Belizean AML laws since they have not been implemented effectively. Belize investigators and prosecutors need instruction on implementation of these laws.

While the Government of Belize has made advances in its recent legislative and regulatory work, it should also provide more professional development training for current staff and provide additional human resources to effectively enforce its AML regime. The loosely

monitored offshore financial sector and FTZs continue to be concerns. Furthermore, the historically low prosecution and conviction figures reflect the lack of robust enforcement efforts. The government should prioritize providing its investigative, prosecutorial, and judicial personnel with the resources and training to successfully fulfill their responsibilities.

Current Weaknesses in Government Legislation (2013 INCRS Comparative Tables):

According to the US State Department, Belize does not conform with regard to the following government legislation: -

Record Large Transactions - By law or regulation, banks are required to maintain records of large transactions in currency or other monetary instruments.

States Party to United Nations Convention Against Corruption - States party to the United Nations Convention against Corruption (UNCAC), or a territorial entity to which the application of the Convention has been extended by a party to the Convention.

EU White list of Equivalent Jurisdictions

Belize is not currently on the EU White list of Equivalent Jurisdictions

World Governance indicators

[To view historic Governance Indicators Ctrl + Click here and then select country](#)

Fragile States Index

[To view Failed States Index Ctrl + Click here](#)

Offshore Financial Centre

Belize is considered to be an Offshore Financial Centre

US State Dept Narcotics Report 2017 (introduction):

Belize is a major transit country for illegal drugs destined for the United States from source countries in South America. Belize is susceptible to the transshipment of illegal drugs due to its position along the Central American isthmus between the United States and drug producing countries in South America. Large stretches of unpopulated jungles on the border with Guatemala and a relatively unpatrolled coastline that includes hundreds of small islands and atolls make it difficult to conduct interdictions. Remote jungles provide a hospitable environment for the growing and transferring of cannabis. Belize is bordered by countries where the drug trade is controlled by well-organized and extremely violent drug trafficking organizations.

According to the U.S. Drug Enforcement Administration (DEA), the drug routes are predominately maritime and via air. Due to Belize's unique geography, maritime craft are able to avoid law enforcement detection by moving at night and using the hundreds of cayes (islands) to conceal their movement. Drugs are moved in vessels ranging from container ships to more common "go-fast" vessels, which can utilize their small profile, and powerful motors to evade law enforcement. Belize's Coast Guard (BCG) lacks adequate patrol boats to effectively patrol Belize's Exclusive Economic Zone. Alternately, drug trafficking organizations use air routes over Belize to smuggle narcotics. The remote and sparsely populated terrain of Belize is well suited for low-trafficked roads and undetectable airstrips on which planes can quickly land and refuel to continue their flight to countries north or south. Belize has no air defense systems and limited capability to monitor aircraft at night.

Despite enhanced efforts to monitor coastal waters, limited funds, unreliable equipment, and limited human resources hamper the BCG and the Anti-Narcotics Unit (ANU). The ANU was upgraded to a U.S.-vetted unit in 2015 with additional support and a full-time DEA advisor. Belize's counternarcotics efforts are adversely affected by corruption, deficiencies in investigative capacities, an ineffective judicial sector, and a lack of political will by some senior officials. According to Belizean authorities, marijuana is the most prevalent illegal drug used in Belize and while Belize generally tolerates the use of cannabis, it remains a crime to use, cultivate, or sell it.

B. Conclusion

Belize faces a challenging battle against the threats of drug trafficking, and continuing efforts are needed to reduce the impact of drug trafficking and crime in the country. The United States will continue to assist Belize by providing additional training, equipment, and advisory support, as well as support for program development in the law enforcement and justice sectors. The United States encourages Belize to strengthen its public security and law enforcement institutions through more effective anti-corruption legislation, comprehensive background checks and vetting of new and existing personnel, better training, and continuing education programs. The United States will maintain its strong partnership with Belize and assist in its fight against transnational criminal organizations.

US State Dept Trafficking in Persons Report 2014 (introduction):

Belize is classified a Tier 2 (watch list) country - a country whose government does not fully comply with the Trafficking Victims Protection Act's minimum standards, but is making significant efforts to bring themselves into compliance with those standards.

Belize is a source, destination, and transit country for men, women, and children subjected to sex trafficking and forced labor. A common form of human trafficking in Belize is the coerced prostitution of children, often occurring through parents pushing their children to provide sexual favors to older men in exchange for school fees, money, and gifts. Third-party prostitution of children under 18 is a form of human trafficking. Child sex tourism, involving primarily U.S. citizens, is an emerging trend in Belize. Additionally, sex trafficking and forced labor of Belizean and foreign women and girls, primarily from Central America, occurs in bars, nightclubs, and brothels throughout the country. Foreign men, women, and children, particularly from Central America, Mexico, and Asia, migrate voluntarily to Belize in search of work; some may fall victim to forced labor. Forced labor has been identified in the service sector among the South Asian and Chinese communities in Belize, primarily in restaurants and shops with owners from the same country. Children and adults working in the agricultural and fishing sectors in Belize are also vulnerable to forced labor.

The Government of Belize does not fully comply with the minimum standards for the elimination of trafficking; however, it is making significant efforts to do so. Despite these efforts, the government did not demonstrate overall increasing anti-trafficking efforts compared to the previous reporting period; therefore, Belize is placed on Tier 2 Watch List. Early in 2014, the government made its first arrest under its 2013 trafficking law; however, it did not initiate any prosecutions. Victim identification efforts significantly declined, and the lack of proactive victim identification resulted in the detention and deportation of potential victims based on immigration violations. The government did not investigate or prosecute any public officials for alleged complicity in human trafficking-related offenses. The failure to convict and punish trafficking offenders, especially allegedly complicit government officials, remained a significant problem.

US State Dept Terrorism Report

Belize has not met the criteria for inclusion in the report since 2009

International Sanctions

None applicable

Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	N/A
World Governance Indicator – Control of Corruption	52

Corruption and Government Transparency - Report by US State Dept

Belize has anti-corruption laws on its books, but these laws, which come under the purview of the Office of the Attorney General, are seldom enforced. In 2012, the auditor general reported that government expenses and procurement were rife with improper accounting. As of March 2013, no significant steps had been taken in response to the auditor general's report. One such law is the Prevention of Corruption in Public Life, which has not been enforced since coming into effect in 1994. This law requires public officials, such as the Governor-General and members of the National Assembly, to disclose in the Government Gazette their assets, income, and liabilities.

The Prevention of Corruption in Public Life Act established an Integrity Commission responsible to monitor, prevent, and combat corruption by examining declarations of physical assets and financial positions filed by public officers. The Commission is able to investigate allegations of corrupt activities, including by members of the National Assembly, Mayors and Councilors of all cities, and Town Boards. This Act criminalizes acts of corruption by public officials and includes measures on the use of office for private gain, code of conduct breaches, the use of public funds, and bribery. Section 24 of the act covers punishment for breach, which may include a fine of up to US\$5,000, severe reprimand, forfeiture of property acquired by corruption, and removal from office. The last report of the integrity commission was published in 2005. No cases under this Act have ever led to prosecution.

Though there was an attempt in 2013 to reinvigorate it, the Integrity Commission remained nonfunctional in 2013 and 2014.

Belize has not signed the United Nations Convention Against Corruption (UNCAC).

In June 2001, the GOB signed the OAS Inter-American Convention on Corruption, which requires the revival of the Committee on Public Probity and Ethics to review implementation of the Convention.

Belize has an Office of the Ombudsman, whose responsibility is to investigate complaints of official corruption and wrongdoing. After being vacant since December 2011 a new Ombudsman was appointed in January 2013. The office has been more active since January 2013, including filing its annual report and investigating several incidents of alleged

misconduct. The office encounters political pressure and has limited resources; both factors limit its effectiveness.

There are a limited number of non-governmental institutions that monitor government activities; two of them are Citizens Organized for Liberty through Action (COLA) and the National Trade Union Congress of Belize (NTUCB). The first is comprised of concerned private citizens, and the latter is an umbrella organization comprised of the various Belizean workers' unions. Environmental NGOs and the Belize Chamber of Commerce and Industry often make statements regarding government policy as it affects their respective spheres of activity.

Belize is dominated by two political parties, the People's United Party (PUP) and United Democratic Party (UDP). In 2008, the UDP was elected on an anti-corruption platform, and re-elected in 2012. There is a third party, currently without national representation, called Vision Inspired by the People (VIP), which has focused on the issue of corruption and the need to sign UNCAC. Many businesspeople complain that both major political parties can and do practice partisanship bias that affects businesses in terms of receiving needed licenses, winning government contracts for procurement of goods and services, and the granting of government land to private owners. Some middle-class citizens and business owners throughout the country have complained of government officials, including police and others, soliciting bribes.

There are occasional reports of requests for bribes from border officials in order to facilitate lower assessments of goods for importation and thus lower import duties. Bribery is officially considered a criminal act in Belize, but laws against bribery are rarely enforced.

Some businesses and residents in the country have alleged that some officials demand payoffs if an inspection reveals a breach of fisheries laws. For example, restaurants and resorts carrying under-sized lobsters and conch are subject to court summons and a fine, but payoffs allegedly circumvent court charges or payment of fines.

The illegal harvesting and extraction of exotic hardwoods from the Belize forest continues to be a problem even after the 2012 moratorium that the Government placed on the harvesting of rosewood. It is believed that the meager fines levied on illegal loggers is not a disincentive particularly when compared to the hundreds of thousands of dollars that can be earned from sale of rosewood to foreign markets. There are several legitimate logging enterprises that operate sustainably, but illegal logging continues with mahogany, rosewood, cedar and other species. As of March 2013, the Convention on the International Trade on Endangered Species adopted a proposal from Belize and placed three varieties of rosewood on its Appendix 2, which limits the trade of rosewood across international lines. Belize made a formal observation that allows "value-added" products to be traded freely.

Section 3 - Economy

Tourism is the number one foreign exchange earner in this small economy, followed by exports of marine products, citrus, cane sugar, bananas, and garments. The government's expansionary monetary and fiscal policies, initiated in September 1998, led to GDP growth averaging nearly 4% in 1999-2007. Oil discoveries in 2006 bolstered this growth. Exploration efforts have continued and production has increased a small amount. Growth slipped to 0% in 2009, resulting from the global economic slowdown, natural disasters, and a temporary drop in the price of oil, but grew to 2.5% in 2013. With weak economic growth and a large public debt burden, fiscal spending is likely to be tight. In January 2013, the government announced that it had reached a deal with creditors to restructure its \$544 million commercial external debt, commonly referred to as the "superbond." The superbond represents one half of the country's public debt. A key government objective remains the reduction of poverty and inequality with the help of international donors. Although Belize has the second highest per capita income in Central America, the average income figure masks a huge income disparity between rich and poor. The sizable trade deficit and heavy foreign debt burden continue to be major concerns.

Agriculture - products:

bananas, cacao, citrus, sugar; fish, cultured shrimp; lumber

Industries:

garment production, food processing, tourism, construction, oil

Exports - commodities:

sugar, bananas, citrus, clothing, fish products, molasses, wood, crude oil

Exports - partners:

US 30.8%, UK 21.2%, Nigeria 4.8%, Costa Rica 4.1% (2012)

Imports - commodities:

machinery and transport equipment, manufactured goods; fuels, chemicals, pharmaceuticals; food, beverages, tobacco

Imports - partners:

US 23.1%, Germany 14.6%, Mexico 11.2%, Cuba 9.1%, Guatemala 5.4%, China 4.5%, Trinidad and Tobago 4.1% (2012)

Belize's financial system is small, consisting of five domestic commercial banks (the largest of which holds approximately \$440 million in assets), seven international banks, a state-owned development bank, a mutual fund (unit trust), fourteen credit unions, and seventeen insurance companies nationwide.

The Central Bank of Belize regulates the liquidity and cash reserve requirements, and monitors interest rates of the commercial banks.

Credit is made available on market terms. Despite the fact that this is regulated by the CBB, interest rates are largely set by market conditions prevailing within the commercial banks.

Foreign investments in Belize must be registered at the Central Bank of Belize, in order to facilitate inflows and outflows of foreign currency during transactions, including transfers and the repatriation of profits and dividends.

Executive Summary

Over the last few decades, growth in Belize has focused on tourism, agriculture, and petroleum. Active petroleum reserves have begun to decline, but exploration continues. Tourism and agriculture continue to have room for expansion. U.S. businesses recently have made significant investments in tourism and agriculture as well as petroleum exploration. Investors have enjoyed success recently with business process outsourcing (BPOs) as well.

Belize continues to fare poorly in international surveys of openness and ease of opening a business. Some investors remain concerned about the Government's failure to compensate the owners of the electricity and telecommunications companies that were nationalized in 2011 and 2009, respectively. Belize continues to offer attractive incentives for investors, though investors have noted they seem to be administered in an ad hoc rather than formal or comprehensive manner. Some investors as well as some Belizeans also complain about the insecurity of land title.

1. Openness To, and Restrictions Upon, Foreign Investment

Priority Areas and General Context

The Government of Belize (GOB) and its Belize Trade and Investment Development Service (BELTRAIDE; www.belizeinvest.com) identified Belize's priority sectors for investment for 2014 as agriculture, livestock, agro-processing, aquaculture, light manufacturing, food processing, tourism and tourism-related industries, business process outsourcing (BPOs), information communication technology, and renewable energy.

The GOB attempts to attract foreign direct investment with generous incentives packages coupled with its availability of good land and a resource-abundant natural environment. In practice, however, investors have complained that they do not always receive the full extent of the incentives available, that land title is not always reliably secure, and that the bureaucracy or corruption involved in starting a business in Belize can be troublesome. There is a sense among investors that incentives can be very beneficial but that they are administered in an ad hoc manner.

Although established to serve as a one-stop-shop for investment and trade assistance, over the past few years BELTRAIDE has expanded its focus to include micro and small business development, which BELTRAIDE has done admirably with technical assistance from Treasury. Critics believe, however, that the expansion has diluted the agency's ability to provide efficient business counseling to investors. Foreign direct investors have commented on possible bureaucratic delays when seeking letters of support to establish businesses and when trying to secure fiscal incentives from the government.

Since 2008, the global economic downturn, the nationalization of the major telecommunications and electricity companies, continued high import tariffs, and new legislation on arbitration paralleled a decrease in the flow of foreign direct investment. In 2012, however, a large investment was made in the sugar industry followed by plans in 2012 and 2013 for a major investment in cruise tourism. At the same time, however, small farmers in both citrus and sugar and some tourism associations and others expressed concerns about

the ongoing and potential investments. In 2013, the GOB did not renew private contracts and returned to GOB management of the International Business Companies Registry and the International Merchant Marine Registry of Belize (IMMARBE) in 2013. The contractor, which managed both registries, claimed that it had a contract that was still valid, but the GOB rejected that claim.

Investment Concessions

Investments in Belize are governed through the following laws and regulations: Fiscal Incentives Act, Export Processing Zone Act, Commercial Free Zone Act, International Business Companies Act, Trusts Act, Offshore Banking Act, Gaming Act, and Companies Act. These Acts offer attractive incentives to investors, but in practice these incentives are often not realized. For example, development concessions under the Fiscal Incentives Act allow for import duty and income tax exemptions, but since 2002 companies have only received import duty exemptions due to an ongoing moratorium on awarding tax holidays, with the exception of one case due to specific legislation.

Business Ownership

Generally Belize has no restrictions on foreign ownership and control of companies; however, there is a requirement that foreign investors obtain prior clearance from the Central Bank of Belize in order to own shares in a Belizean company. There are some investment incentives which show preference to Belizean-owned companies. For example, the Small and Medium Enterprise (SME) Fiscal Incentive, offered by BELTRAIDE, stipulates that an entity applying for benefits under the SME incentive must have a minimum of 51% Belizean ownership. If this condition is met, the incentive provides for a lower application fee structure. According to the Belize Tourism Board (www.belize-tourism.org), a company must have a minimum of 51% Belizean ownership to qualify for a Tour Operator License.

Protected Areas and Indigenous Lands

Foreign investors undertaking large capital investments must be aware of Belize's environmental issues and promotion of environmental protection when designing and proposing projects. There has and continues to be much debate about whether to allow any developments adjacent to or near designated protected areas. The requirement to prepare an Environmental Impact Assessment (EIA) is dependent on factors including land area, industry, and location of a proposed project. When purchasing land or planning to develop near an ecologically sensitive zone, it is recommended that the EIA fully address any measures by the investor and project to mitigate its impact on the environment. Environmental clearance must be obtained prior to the start of site development. The Department of Environment website, <http://www.doe.gov.bz/>, has more information on the Environmental Protection Act, Chapter 328 of the Laws of Belize.

The Belize Supreme Court and the Court of Appeals have both ruled that some lands, particularly in southern Belize, are subject to some degree of indigenous, communal rights of the Maya community. The courts ruled that the Government needs to consult with the Maya community on development that affects communal land. Thus far, the Government has not done so and has not created any mechanism for doing so.

Belize, along with other developing countries, has until 2015 to comply with WTO requirements regarding Fiscal Incentives, Export Processing Zones, and Commercial Free

Zones. The Ministry of Trade and Investment, with BELTRAIDE, is responsible for conducting countrywide consultations with current incentive holders to inform them of Belize's upcoming international trade requirements. Potential investors should consider this when discussing concessions with BELTRAIDE.

Belize's judicial system is independent and is comprised of the Supreme Court, Court of Appeal, and the Caribbean Court of Justice. Belize has entered into numerous contracts over the years and usually tries to uphold the contract's sanctity, but a high ratio of debt to GDP and sluggish economic performance may prevent the government from fulfilling some compensation payments in a timely fashion. Some investors, especially in real estate and land transactions, have expressed concern over the government's significant and extended delays in meeting its obligations. In particular, investors have expressed concern about the lack of compensation for the nationalization of Belize Telemedia Limited (BTL) in 2009 and Belize Electricity in 2011. Criminal matters are challenging, as Belize has a weak investigative and prosecutorial system, which hinders the government's ability to successfully prosecute crimes, including murder and robbery.

Some potential investors have also cited corruption as a barrier to attract foreign direct investments. It is alleged that at times investors were solicited for contributions in return for expedited immigration favors, land acquisition, investment incentives, and exclusive contracts. Investors have also cited insecurity in land tenure as a concern.

Challenges within key agriculture sectors, including sugar, citrus and papaya, and a decline in petroleum exports may create fiscal deficits as declines and/or uncertainty are recorded in each of these sectors. Government may find itself in a position where diversification and accommodation of foreign investment in other sectors become imperative and even more attractive.

In the **World Bank 2014 Doing Business Report**, Belize ranks as follows:

- a. Starting Business 167
- b. Dealing with Construction Permits 16
- c. Getting Electricity 57
- d. Registering Property 143
- e. Paying Taxes 48
- f. Trading Across Borders 101
- g. Getting Credit 130
- h. Protecting Investors 128
- i. Enforcing Contracts 173
- j. Resolving Insolvency 30

Belize is listed as an upper middle income country in the Latin America and the Caribbean region with a Gross National Income (GNI) per capita of US\$4,180. Belize's overall rank for ease of doing business according to this 2014 World Bank survey is 106th out of 189 countries.

Belize's Ministry of Trade and Investment Promotion does not believe that this report accurately captures the efforts made by Belize in 2013 to improve the ease of doing business in Belize. The Ministry contends that there were worthwhile improvements and changes made that are not mentioned in the report. For more information visit <http://doingbusiness.org/rankings>.

The **Corruption Perceptions Index (CPI)** measures the perceived level of public-sector corruption in 180 countries and territories around the world. According to the CPI (www.transparency.org), Belize was ranked 99th overall in 2007 and 109th in 2008. Belize has not been included in the survey since then due to insufficient sources. Countries are included in the index if there are at least three data sources available.

The **Heritage Economic Freedom Index** tracks advances in economic freedom, prosperity and opportunity. Belize's ranking has deteriorated over the last two decades with the 2014 ranking being its lowest score ever. For more information refer to <http://www.heritage.org/index/country/belize>.

The **Millennium Challenge Corporation (MCC) Government Effectiveness Indicator** measures the quality of public service, the quality of the civil service, the quality of policy formulation and implementation and, the credibility of government's commitment to its stated policies. Refer to <http://www.mcc.gov/pages/selection/indicator/government-effectiveness-indicator> for more information on MCC Government Effectiveness.

MCC Rule of Law Indicator measures the extent to which individuals and businesses have confidence in and abide by the rules of society. It measures the functioning and independence of the judiciary.

MCC Control of Corruption Indicator measures the extent to which public power is exercised for private gain. It also measures the strength and effectiveness of a country's policy to prevent and combat corruption.

MCC Fiscal Policy Indicator measures government's commitment to prudent fiscal management and private sector growth.

MCC Trade Policy Indicator measures a country's openness to international trade based on tariff rates and non-tariff barriers to trade .

MCC Regulatory Quality Indicator measures the ability of a government to formulate and implement sound policies and regulations that permit and promote private sector development.

MCC Business Start Up Indicator measures the time and cost of complying with all officially required procedures required to start up and operate a business.

MCC Land Rights and Access Indicator measures whether and to what extent governments are investing in land tenure.

MCC Natural Resource Management/Natural Resource Protection Indicator measures a government's commitment to habitat preservation and biodiversity protection.

The table below summarizes Belize's scores and rankings according to Transparency International, the Heritage Foundation, the World Bank, and the Millennium Challenge Corporation (MCC). High numbers in the first three indexes indicate poor performance;

higher percentages in the MCC rankings reflect good performance. The MCC measurements are based on percentile ranking within income peer groups of countries surveyed for the 2013 country report. Belize was not ranked in the 2014 report. See rankings below or visit <http://www.mcc.gov/pages/selection/scorecards> for more information.

Measure	Year	Index/Ranking
TI Corruption Index	2008	109 th
Heritage's Economic Freedom Index	2014	115 th
World Bank Doing Business Report	2014	106 th
MCC Gov't Effectiveness	2013	59%
MCC Rule of Law	2013	44%
MCC Control of Corruption	2013	75%
MCC Fiscal Policy	2013	80%
MCC Trade Policy	2013	66%
MCC Regulatory Quality	2013	44%
MCC Business Start Up	2013	13%
MCC Land Rights Access	2013	21%
MCC Natural Resource Mgmt	2012	97%

2. Conversion and Transfer Policies

Foreign investments in Belize must be registered at the Central Bank of Belize (CBB) in order to facilitate inflows and outflows of foreign currency during transactions, including transfers, and repatriation of profits and dividends.

In order to pay for goods and services procured outside of Belize in a foreign currency, a "Foreign Exchange Permit" must be obtained from the Central Bank of Belize. Sub Agents (commercial banks, money transfer institutions, the Ministry of Finance) are able to approve permits for applications not exceeding US\$500. After securing the permit, foreigners and locals are allowed to access foreign exchange directly from commercial banks.

Approval from the Central Bank is also necessary for business people or firms wishing to secure loans that involve foreign currency from outside of Belize. It is also important to note

that occasionally there are shortages of foreign currency in the banking system, which result in payment delays when investors are conducting international transfers and transactions.

Officially, no person, other than authorized dealers and depositories, may retain any foreign currency in their possession without the consent of the Central Bank, although in practice U.S. dollars are widely used and accepted.

Approved businesses under the Export Processing Zone and Commercial Free Zone incentives are allowed to open and operate foreign currency bank accounts.

The Belize Dollar has been pegged to the United States Dollar since May 1976 at a fixed exchange rate of BZ\$2 to US\$1.

In September 2012, Belize undertook a selective default of its major external commercial debts totaling an estimated US\$554 million, commonly referred to as the "Super Bond". Subsequently the government made a 50% payment of the US\$23 million payment due as a show of "good faith." The Government of Belize announced the successful renegotiation of the terms of the bond in March 2013. The restructured US\$ 529,928,800 "Superbond" has a maturity date of 2038. This new value reflects a savings of US\$108 million off the previous bond value.

Companies conducting business with international trading partners have access to foreign currency, provided that the appropriate permit is secured from the Central Bank of Belize.

3. Expropriation and Compensation

There have been several contentious cases in which the government, under its right of eminent domain, appropriated land that belonged to private property owners, including some foreign investors. These were ostensibly done for public purposes, but there have been allegations that several were done for personal or political gain. Belizean law requires that the Government assess and pay appropriate compensation based on fair market value; such compensation cases, however, can take many years to settle and there are numerous cases of non-compensation or pending compensation. The security of land title is flawed and, though the Government recognizes this and is working with the World Bank to improve its land title system, cases of private as well as Government manipulation of land title remain numerous and unresolved, for foreign land holders and for Belizeans.

The government expropriated a major telecommunications provider and the electricity company owned by foreign investors in 2011 (the telecommunications company was nationalized in 2009 and renationalized in 2011 in order to overcome a court ruling that the 2009 nationalization was illegal). In 2011, the government passed special legislation that allowed for the Eighth Constitutional Amendment, which enshrined majority government ownership of utility providers (including water, electricity, and telecommunications). Official offers by the government to compensate previous owners of nationalized companies have not been revealed, but unofficial government offers placed the firms at what the previous owners felt were significantly reduced market values. As of May 2014, the GOB has not compensated investors affected by the nationalizations nor has it reached an agreement with investors on the companies' values at the time of nationalization.

4. Dispute Settlement

In March 2010 the Supreme Court of Judicature (Amendment) Act granted the Belize Supreme Court the authority to issue an injunction against any person or entity that has commenced arbitration proceedings against the Government of Belize, whether that arbitration occurs in Belize or abroad. If the parties against whom the injunction is issued continue in their arbitration, the Court can void the award and those involved, including their lawyers, advisers, corporate director, managers, shareholders, and secretaries, can be criminally charged and fined up to US\$250,000 or jailed for up to five years for contempt. A further US\$150,000 can be charged for each day a person continues in breach of the injunction. Even individuals only indirectly involved who provide counsel, advice, or investigative assistance can be charged. It is not clear whether or not the Act supersedes Belize's treaty commitments to international arbitration. As of May 2014, the Act had never been used to issue an injunction against any party.

In addition, "A person charged with an offense under this section may be tried in his absence if the Court is satisfied that such a person was given at least 21 days' notice of the charge and the date, time and place of the trial and that he had a reasonable opportunity of appearing before the Court but had failed to do so." The notice referred to can be delivered "personally, or by registered post, or by a notice in the Belize Gazette." In September 2010, several claimants brought a constitutional challenge of the Act to the Supreme Court. In December 2010 a judgment was read which found that while the Act was valid, there were certain sections that conflicted with the Belize Constitution. In 2013, the Caribbean Court of Justice ruled that the Act was not unconstitutional as a whole, but that some of the penalties were extreme.

The government has been taken to international courts for dispute settlements in the past and has lost some cases. Despite rulings against the government for the payment of foreign arbitral awards, such settlements can take years to be reached, and even longer for compensation to actually be paid.

Although Belize signed on to the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards prior to obtaining independence, Belizean courts have ruled that Belize is not a party to the Convention since it did not sign on again after gaining independence. A total of 147 countries have signed on to the Convention.

Belize signed on to but never ratified the Washington Convention on the Settlement of Investment Disputes Between States and Nationals of Other States. For more information visit http://sice.oas.org/dispute/comarb/icsid/w_conv1.asp.

Chapter 244 of the Laws of Belize (Bankruptcy Act) provides and allows for bankruptcy filings (<http://www.belizelaw.org>).

5. Performance Requirements/Incentives

BELTRAIDE operates under the Government of Belize's Ministry of Trade and Investment. It functions as the country's official trade and investment promotion agency, promoting several fiscal and other incentives to attract foreign investment. The legal framework authorizing and providing for these incentives include: the Fiscal Incentives Act, the Export Processing Zone Act, the Commercial Free Zone Act, the International Business Companies Act, the Retired Persons Incentives Act, the Trusts Act, the Offshore Banking Act, and the Gaming Control Act.

Belize, along with other developing countries, has until 2015 to comply with WTO requirements regarding Fiscal Incentives, Export Processing Zones, and Commercial Free Zones. The government is trying to create alternatives that would be WTO compliant.

Regulations require that incentives granted to an enterprise be awarded based on the investment's socioeconomic contributions to the Belizean economy: employment creation, transfer of skills and technology, and foreign exchange earnings or savings. All approved projects must benefit the public and must fit within the government's overall development plan.

The **Fiscal Incentives Act** awards a qualified entity a development concession during the start-up or expansion stages of a business in order to foster its growth by offsetting custom duties. According to www.belizeinvest.org.bz, two programs are offered under this Act, namely the "Regular Program" for investments exceeding US\$150,000 and the "Small and Medium Enterprise (SME) Program" for investments of less than US\$150,000. In general, the legal framework allows for full Customs Duties exemptions and Tax Holidays for up to 15 years for approved enterprises. According to the Act, this is renewable for a further term of 10 years, totaling 25 years for companies engaged in agriculture, agro-industrial products, mariculture (aquaculture), food processing, and manufacturing with export operations that are labor intensive. Categories that may be exempted from Import Duties and Revenue Replacement Duties under the Act include Building Materials and Supplies; Plant, Machinery, and Equipment; Specialized Tools; Utility and Transport Vehicles; Fixtures and Fittings; Office Equipment and Appliances; Spare Parts for Plant, Machinery & Equipment; Agricultural Machinery and Supplies; and Raw Materials or other items for the sole usage of the approved enterprise. The length and extent of a development concession are determined by several factors, including: (a) the extent of local value added; (b) the projected profitability of the enterprise; (c) foreign exchange earnings or savings; (d) transfer of skills and technology; and (e) new employment opportunities.

Under the Fiscal Incentives Regular Program, only entities incorporated under the Companies Act Chapter 250 of the Laws of Belize can apply. Application fees under the Regular Program are nonrefundable and depend on the level of proposed investment:

<i>Estimated Investment (USD\$)</i>	<i>Fee (USD\$)</i>
for investments below \$250,000	\$3,500
between \$250,000 and \$500,000	\$7,500
between \$500,000 and \$2,500,000	\$10,000
above \$5,000,000	\$15,000

There is an annual administration and monitoring fee of US\$500 and a publication fee of US\$400 (for two week's circulation of an announcement of a successful application in a newspaper) if the application is successful. For any amendment to the Statutory Instrument an amendment fee of US\$1,750 is charged.

Occasionally, foreign investors have complained that these investment promotions are rarely as open, effective, or easy to obtain as they appear on paper. For example, the Fiscal

Incentives Act allows a tax holiday, however, only in rare cases within the past 10 years was this tax holiday considered during the approval process.

The Fiscal Incentives SME Program is aimed at smaller enterprises with a minimum of 51% Belizean ownership. The SME Program offers the same benefits of the Regular Program, with the exception of the allowable timeframe for duty exemptions. Under this program, companies are allowed a maximum of five years of development concessions, with the expectation that after this period, companies can mature into the larger Regular Program. There exists a significant variance in the application fee structure between the programs. Below is the fee structure for the SME Program:

<i>Estimated Investment</i>	<i>Fee (USD\$)</i>
for investments below \$50,000	\$50
between \$50,000 and \$100,000	\$100
between \$100,000 and \$150,000	\$250

There is an annual administration and monitoring fee of US\$50 if the application is successful. For any amendment to the Statutory Instrument an amendment fee of US\$50 is charged.

The **Export Processing Zone (EPZ)** Act, which is administered by the Ministry of Economic Development, was designed to attract local and foreign investments to boost production for export markets. Activities targeted by this incentive include manufacturing, non-traditional agricultural products, processing, assembly, and services, including call centers. Approved companies in this portfolio are treated as being outside national customs territory by benefiting from exemptions from full import and export duties, capital gains taxes, property and land taxes, dividend taxes, value-added taxes, trade turnover taxes, foreign exchange taxes, transfer taxes, as well as excise, sales, and consumption taxes. The program allows a tax holiday period of 20 years, with an option to extend and deduct losses from profits following the tax holiday period. Companies are allowed to open foreign currency bank accounts, and are exempted from import and export licensing requirements, resulting in no restrictions on the importation of raw materials or on the exportation of finished products. There is a non-refundable application fee of US\$500. The program also allows for the sale, lease, or transfer of goods and services within an EPZ, Customs inspections in the zone for expediency, work permits at no cost for all professional and technical staff, and, if necessary, authorizing up to a 20 percent foreign workforce.

A **Commercial Free Zone (CFZ)** is a specifically designated area for the conduct of business operations, including, but not limited to, manufacturing, commercial offices, insurance services, banking and financial services, offshore financial services, professional or related services, processing, packaging, warehousing, and the distribution of goods and services. Belize currently has two CFZs: one on the northern border with Mexico and a small zone on the western border with Guatemala. Goods originating from these free zones can only be sold into Belize's national customs territory after the necessary duties and taxes have been assessed and paid. The Commercial Free Zone Management Agency (CFZMA), sanctioned by the Government of Belize, monitors and administers the free zones. Incentives include exemptions from import duties, income tax, taxes on dividends, capital gains tax, or any new corporate tax levied by the Government during the first 10 years of operation. In addition, all

imports and exports of a CFZ are exempt from all customs duties, consumption taxes, excise taxes, or in-transit taxes, except those destined for or directly entering areas subject to the national customs territory. CFZs are free of import and export licensing requirements, as well as taxes imposed on the sale of foreign currency. Additionally, CFZ businesses incurring a net loss over the five-year tax holiday may deduct losses from profits in the three years following the tax holiday period. There is a non-refundable application fee of US\$500 and for successful applicants an annual fee of US\$1,000 is charged.

The **International Business Companies (IBC)** Act allows international investors to establish offshore companies in Belize. These entities are not allowed to own an interest in real property in Belize or to conduct business in banking or insurance with Belizean residents. However, they benefit from tax exemptions on all income; dividends paid to persons resident in Belize or elsewhere; interest, rent, royalties, and compensation paid to persons who are not residents of Belize; and capital gains realized on shares, debt obligations, or other securities of an IBC by persons who are not resident in Belize. There are no currency restrictions for banking transactions, and no restrictions on citizenship or residency requirements for directors, officers, or shareholders. All IBCs must be registered through an authorized IBC agent of the International Business Companies Registry. See www.ibcbelize.com for more information.

The Belize Tourism Board offers the **Retired Persons Incentive Act**, which was designed to benefit retired persons over 45 years of age. To qualify, applicants need proof of income not less than US\$2,000 per month through a pension or annuity generated outside of Belize. An approved Qualified Retired Person is allowed to import personal effects and an approved means of transportation free of all customs duties and taxes. All income generated outside of Belize are also free of taxes. A timeframe of one year is given to import all personal and household effects into Belize, using multiple shipments as necessary. Duty and tax free importation of an automobile, light aircraft (less than 17,000 kg), or boat is allowed. Vehicles may only be replaced at intervals exceeding three years. Effects and items imported under this program can only be sold, given away, or leased after the appropriate payment of applicable duties and taxes. Visit www.belizeretirement.org for more information.

If a company is benefiting from incentives, there are certain conditions which may include minimum employment targets based on the size and scope of the project. For example, the Fiscal Incentives regime requires that beneficiaries maintain a minimum number of employees over the life of a development concession.

Work Permit

The Department of Immigration is responsible for the processing of Work Permits and Residency applications. An applicant for a work permit generally is required to be in Belize to apply. If the foreign national will be working for a specific company in Belize, that company can apply for the permit on behalf of the foreign national. When a company applies for a permit on behalf of an individual, the individual is limited to working only for that company.

According to the Department of Immigration, citizens of the United States and the British Commonwealth do not require Visitor Visas to travel to Belize and remain for 30 days or less. The length of stay on such visas can be extended at any local district immigration office.

Belize is a member of the Caribbean Community (CARICOM) and as such is entitled to the free movement of goods and services within CARICOM member countries. CARICOM

member states are expected to work toward eliminating barriers to intra-regional movement and trade by harmonizing standards to ensure equal treatment and acceptability of goods and services. CARICOM countries have established a **Common External Tariff, which is** a rate of duty applied by all member states to products imported from any that is not a member of the region. The Common External Tariff makes most imported goods in Belize relatively expensive. The associated costs for any business that uses imports can be significant. Tax concessions, if granted, can ameliorate these costs.

Taxes, in the form of Import Duties, Environmental Taxes, and General Sales Taxes, levied by the Belize Customs and Excise Department at the point of importation continue to be the country's largest source of revenue. It is responsible for providing around 53 percent of the total recurrent revenue collected by government.

6. Right to Private Ownership and Establishment

The Government of Belize supports and encourages joint venture and partnership investments as a preferred mechanism for investment, but still allows 100 percent foreign ownership of an enterprise as long as the company is incorporated to conduct business in Belize.

Private entities, whether foreign or domestic, have the right to freely establish, acquire, and dispose of interests in property and business enterprises.

According to the Ministry of Natural Resources, <http://www.mnrei.gov.bz/>, applications for purchasing National Lands below ten acres may be made to the Commissioner of Lands and approved by the Minister of Natural Resources. Applications for National Land purchases exceeding ten acres require approval by Cabinet. The Department of Lands and Surveys can advise which lands are available.

Land purchases can also be made from private land holders, either directly or through a real estate agent. This type of purchase is considered a private transaction and does not require prior Cabinet approval. A transfer tax, also called Stamp Duty, is levied on all land transactions exceeding US\$20,000 at the rate of 5%.

7. Protection of Property Rights

The Constitution of Belize protects the right to private property. Chapter II, Article (3d) guarantees "protection from arbitrary deprivation of property."

There are numerous property disputes involving foreign investors and landowners that are the result of unreliable land title certificates. Numerous landowners, including several U.S. citizens, have been victims of land fraud, where title documents were transferred out of their possession without their knowledge, and in most cases the owners have not received compensation. There have been public allegations that government officials have been complicit in some of the fraud. Title insurance is not commonly available in Belize, but is offered by a few of the larger insurance companies. Property buyers likely will limit but will not necessarily avoid problems by dealing with real estate professionals and lawyers experienced in local property law; disputes have arisen in such cases as well. The GOB is in the process of completing a digital database of land titles that may deter fraud. That system, however, is not yet operational as of April 2014. The purchase of land often takes several months.

Belize has fulfilled its obligation under the World Trade Organization (WTO) to implement the Agreement on Trade-Related Aspects of Intellectual Property, also known as the TRIPS Agreement. BELIPO (<http://belipo.bz/>) was established to administer intellectual property rights (IPR) laws, and it functions as Belize's national intellectual property registry. Its mandate covers the protection of copyrights, industrial designs, patents, trademarks, new plant varieties, and layout designs (topographies) of integrated circuits.

Despite the IPR laws and administrating office, enforcement is lacking. Illegally copied CDs and DVDs are widespread and continue to be marketed throughout the country. Local cable companies and television stations continue to broadcast content pirated from U.S. television networks and cable channels, as well as sports programming and movies. There was a major bust of counterfeit goods destined for the Corozal Free Zone, along Belize's northern border with Mexico, in November 2013.

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at <http://www.wipo.int/directory/en/>.

Embassy point of contact: Deanna Peyrefitte BelmopanCommercialInquiries@state.gov

Local lawyers list: http://belize.usembassy.gov/legal_information.html

8. Transparency of the Regulatory System

Legal and regulatory accounting systems are consistent with international norms.

Belize's laws and regulations on tax, labor, customs, and health and safety do not significantly distort or impede the efficient mobilization and allocation of investment capital.

The government publishes a Gazette that includes proposed laws and regulations to solicit public comment. Interested persons can review, recommend changes, or object to draft laws and regulations at the relevant Committee Meeting of the House of Representatives. However, sometimes laws are passed quickly without meaningful publication or public review, as was the case with the Supreme Court of Judicature (Amendment) Act.

Relative to the region, there is a high overall cost of doing business regarding payments for utilities (especially electricity and telecommunications, including internet), wages, fuel, and import duties (tariff barriers).

Setting up a business remains a complicated process. The World Bank's *Doing Business 2014 Report* ranked Belize 106th out of 189 countries. This is a two point slide from the 2013 ranking of 104th. Belize ranked 167th on the "Starting a Business" criterion. This represents a six point fall from the 2013 161st rank. Initial business name registration can often be accomplished quickly, but obtaining necessary licenses, including at the local level, can be time consuming. For more information visit: <http://www.doingbusiness.org/data/exploreeconomies/belize/>.

The 2014 Index of Economic Freedom ranks Belize as the 115th freest economy in the world, ranking 21st out of 29 countries in South and Central America including the Caribbean. Registering its lowest score ever in the 2014 Index, Belize's economic freedom status remains "mostly unfree." For more information view: <http://www.heritage.org/index/country/belize>.

9. Efficient Capital Markets and Portfolio Investment

Belize's financial system is small. Five commercial banks operate domestically, of which three are local subsidiaries of international banks. They offer traditional banking services such as consumer and commercial loans, sale of foreign currencies, mortgages, credit cards, savings and checking accounts, and time deposits. They also provide letters of credit and bank guarantees. The largest domestic commercial bank holds approximately US\$440 million in total assets.

There are seven international banks that offer banking services in foreign currencies exclusively to non-residents. These services include personal and commercial loans, brokerage services, foreign exchange, credit cards, savings, demand and time deposits. Most international banks also provide corporate formation services to register International Business Companies as well as the establishment of trusts.

Fourteen credit unions operate as non-profit cooperatives that function as savings banks, offering mainly savings accounts and consumer, education and residential loans to their shareholders. Credit unions are popular for saving and borrowing for the general public, largely due to their service ethos and favorable terms of borrowing and repayment schedules. The largest credit union has over 47,700 members, with total assets of approximately US\$200 million. Belize has one of the highest rates of credit union membership in the world.

There is also a state owned development bank (Development Finance Corporation) that offers loan financing services in various sectors, including agriculture, aquaculture, tourism, eco-products, housing, education, and micro and small enterprises. In September 2013, the Government of Belize opened the National Bank of Belize. The key purpose of this state owned bank is to provide concessionary credit to public officers, teachers, and low income Belizeans. This was a direct reaction to the failure of the commercial banks to provide affordable lending rates to consumers. The introductory lending rate for the newly formed National Bank is 5.5%. The National Bank was established with ten million USD of capital from the Government of Venezuela.

There are seventeen insurance companies that operate country wide.

The Central Bank of Belize (<https://www.centralbank.org.bz/>) is responsible for formulating and implementing monetary policy that fosters the stability of the exchange rate and promotes credit instruments that are conducive to economic growth. The Belize Dollar has been pegged to the United States Dollar since May 1976 at a fixed exchange rate of BZ\$2.00 to US\$1.00.

To preserve the peg to the U.S. dollar, the Central Bank is required to maintain external assets of at least 40% of its domestic liabilities and manage credit growth to ensure that the savings/investment balances of the public and private sectors are at sustainable levels so that the resulting import consumption does not put undue pressure on official reserves.

Since commercial banks dominate lending in the financial system, monetary policy specifically targets the liquidity of commercial banks through management of reserve balances. Manipulation of mandatory reserve requirements are a major instrument of monetary policy as they affect credit growth, interest rates, and the level of money supply.

Overall interest rates on commercial loans, personal loans, and mortgages in Belize are relatively high, though they have declined over the last three years. Average personal and

commercial lending rates ranged between 7.9% and 10.4% at the end of January 2014. The weighted average interest rate in January 2014 was 9.0%. This is an improvement from the January 2013 weighted average interest rate of 10.3%. For more information visit <https://www.centralbank.org.bz/>.

Credit is made available on market terms. Despite the fact that this is regulated by the Central Bank, interest rates are largely set by local market conditions prevailing within the commercial banks.

Belize does not have a stock market and lacks the regulatory legal framework for the development of one in the near future.

10. Competition from State-Owned Enterprises (SOEs)

SOE's are active in the utilities and services sectors. The Government operates as the sole provider of water services and electricity, and as of 2011 took constitutional control over the operations of the largest telecommunications provider, the Belize Telemedia Ltd. In 2013, the GOB did not renew private contracts of and returned to GOB management the International Business Companies Registry and the International Merchant Marine Registry of Belize (IMMARBE). The contractor, which managed both registries, claimed that it had a contract that was still valid, but the GOB rejected that claim. As noted above, in 2013 the Government also launched a national bank to compete directly with existing commercial banks in Belize and drive down lending rates.

SOE's usually engage senior government officials, and at times include members of local business bureaus and chambers of commerce, labor organizations, and quasi-governmental agencies, as a part of their management and board of directors. There is usually a board of directors that guides the direction, policies, and decisions of the SOE that ostensibly is independent, but in practice has included high ranking government officials including at the Vice Minister level and close relatives of government officials. Current and previous administrations have been accused of nepotism in staffing its SOEs as well as conflicts of interest when board members or directors of SOEs are also on the board of other organizations that do business with the SOE.

11. Corporate Social Responsibility (CSR)

Many foreign and local companies engage in corporate social responsibility each year. Some companies donate educational scholarships to students to attend school both locally and internationally, while other companies sponsor football teams, basketball teams, and bicycle races. At times educational institutions benefit from assistance in infrastructure maintenance or donations of equipment. This may include painting school buildings, construction of bus stops and classrooms, or donating computers, fans, tables, chairs, and other necessary items. Some larger companies also undertake the maintenance of major playgrounds or parks. Firms often receive considerable positive media coverage for CSR projects.

12. Political Violence

Belize has traditionally enjoyed one of the most stable political environments in the region, having held relatively peaceful and transparent democratic elections since it attained independence on September 21, 1981.

Allegations of government corruption, economic mismanagement, and labor issues have led to occasional strikes and demonstrations. The most notable in recent history was a demonstration in February 2009 concerning sugarcane prices. This took place in northern Belize and resulted in one death and several injuries. 2010 saw two countrywide business shutdowns, as well as several public demonstrations in protest of the growing levels of violence in Belize. In 2011, there was a transit strike that involved nonviolent public demonstrations and brief traffic stoppages. In 2012, the teachers' unions held a peaceful demonstration in front of the National Assembly. In late 2013 and early 2014, the Teachers' Union pledged that it would create awareness for issues of national interest and advocate against corruption in Belize. It paired this advocacy for awareness of burning social issues with its demand for a wage adjustment for all public servants, including teachers, all of whom had not received a wage increase in years. This was done through a series of public rallies held in all the major district towns and in the capital city.

Neighboring Guatemala has had a territorial claim on a large part of Belize for almost two centuries. In 2008, both countries signed a special agreement, with the facilitation of the Organization of American States (OAS), on a process that could present the matter to the International Court of Justice (ICJ). The process called for the two countries to hold simultaneous referenda for the public to decide whether or not to move the issue to the ICJ. These were scheduled to be held on October 6, 2013, in both countries but Guatemala withdrew from the referendum. In September 2013, in his speech at the General Assembly of the United Nations, Belize's Minister of Foreign Affairs stated that Guatemala's claim is an "existential threat" and a constant source of anxiety to the citizens of Belize as well as to investors in the country. This issue remains largely political between both governments. In January 2014, the Foreign Ministers of both countries met in Belize to strengthen relations, plan the way forward for 2014, and enhance confidence building measures that could lead to the setting of a definite date for a referendum. The Organization of American States (OAS), which maintains an office in the "adjacency zone" of the two countries, serves as a mediator for any incidents that arise. Illegal logging and extraction of exotic hardwoods, illegal harvesting of xate palm leaves (a decorative plant used in flower arrangements), panning for gold, poaching of animals, and agriculture by Guatemalans on the Belize side of the adjacency line continued to increase throughout 2013 and into 2014. These illegal activities have led to confrontations between Guatemalan poachers and Belize law enforcement authorities on Belizean territory. Since 2012, the situation has resulted in four incidents of fatal shootings of illegal Guatemalan trespassers by Belizean authorities.

13. Corruption

Belize has anti-corruption laws on its books, but these laws, which come under the purview of the Office of the Attorney General, are seldom enforced. In 2012, the auditor general reported that government expenses and procurement were rife with improper accounting. As of March 2013, no significant steps had been taken in response to the auditor general's report. One such law is the Prevention of Corruption in Public Life, which has not been enforced since coming into effect in 1994. This law requires public officials, such as the Governor-General and members of the National Assembly, to disclose in the Government Gazette their assets, income, and liabilities.

The Prevention of Corruption in Public Life Act established an Integrity Commission responsible to monitor, prevent, and combat corruption by examining declarations of physical assets and financial positions filed by public officers. The Commission is able to

investigate allegations of corrupt activities, including by members of the National Assembly, Mayors and Councilors of all cities, and Town Boards. This Act criminalizes acts of corruption by public officials and includes measures on the use of office for private gain, code of conduct breaches, the use of public funds, and bribery. Section 24 of the act covers punishment for breach, which may include a fine of up to US\$5,000, severe reprimand, forfeiture of property acquired by corruption, and removal from office. The last report of the integrity commission was published in 2005. No cases under this Act have ever led to prosecution.

Though there was an attempt in 2013 to reinvigorate it, the Integrity Commission remained nonfunctional in 2013 and 2014.

Belize has not signed the United Nations Convention Against Corruption (UNCAC).

In June 2001, the GOB signed the OAS Inter-American Convention on Corruption, which requires the revival of the Committee on Public Probity and Ethics to review implementation of the Convention.

Belize has an Office of the Ombudsman, whose responsibility is to investigate complaints of official corruption and wrongdoing. After being vacant since December 2011 a new Ombudsman was appointed in January 2013. The office has been more active since January 2013, including filing its annual report and investigating several incidents of alleged misconduct. The office encounters political pressure and has limited resources; both factors limit its effectiveness.

There are a limited number of non-governmental institutions that monitor government activities; two of them are Citizens Organized for Liberty through Action (COLA) and the National Trade Union Congress of Belize (NTUCB). The first is comprised of concerned private citizens, and the latter is an umbrella organization comprised of the various Belizean workers' unions. Environmental NGOs and the Belize Chamber of Commerce and Industry often make statements regarding government policy as it affects their respective spheres of activity.

Belize is dominated by two political parties, the People's United Party (PUP) and United Democratic Party (UDP). In 2008, the UDP was elected on an anti-corruption platform, and re-elected in 2012. There is a third party, currently without national representation, called Vision Inspired by the People (VIP), which has focused on the issue of corruption and the need to sign UNCAC. Many businesspeople complain that both major political parties can and do practice partisanship bias that affects businesses in terms of receiving needed licenses, winning government contracts for procurement of goods and services, and the granting of government land to private owners. Some middle-class citizens and business owners throughout the country have complained of government officials, including police and others, soliciting bribes.

There are occasional reports of requests for bribes from border officials in order to facilitate lower assessments of goods for importation and thus lower import duties. Bribery is officially considered a criminal act in Belize, but laws against bribery are rarely enforced.

Some businesses and residents in the country have alleged that some officials demand payoffs if an inspection reveals a breach of fisheries laws. For example, restaurants and resorts carrying under-sized lobsters and conch are subject to court summons and a fine, but payoffs allegedly circumvent court charges or payment of fines.

The illegal harvesting and extraction of exotic hardwoods from the Belize forest continues to be a problem even after the 2012 moratorium that the Government placed on the harvesting of rosewood. It is believed that the meager fines levied on illegal loggers is not a disincentive particularly when compared to the hundreds of thousands of dollars that can be earned from sale of rosewood to foreign markets. There are several legitimate logging enterprises that operate sustainably, but illegal logging continues with mahogany, rosewood, cedar and other species. As of March 2013, the Convention on the International Trade on Endangered Species adopted a proposal from Belize and placed three varieties of rosewood on its Appendix 2, which limits the trade of rosewood across international lines. Belize made a formal observation that allows "value-added" products to be traded freely.

14. Bilateral Investment Agreements

Belize has no bilateral investment treaty (BIT) or tax treaty with the United States. It did sign a mutual legal assistance treaty with the United States in 2000.

Belize is a member state of the Caribbean Community (CARICOM), which enables it to participate in the Economic Partnership Agreement (EPA) between CARIFORUM and the European Union (EU).

Belize is also a member of the Central American Integration System (SICA). This could enable the Belizean economy to function as a hub connecting the Central American and Caribbean markets, but Belize is not a part of the Secretariat of Central American Economic Integration (SIECA). The Common External Tariffs, which Belize's CARICOM membership requires, are another obstacle to being a commercial bridge between Central America and the Caribbean.

Belize has bilateral investment treaties with Austria, the People's Republic of China, El Salvador, Italy, the Netherlands, and the United Kingdom. For additional information on Belize's Bilateral Investment Treaties see http://www.sice.oas.org/ctyindex/BLZ/BLZBITs_e.asp.

Belize has signed 15 Tax Information Exchange Agreements (TIEA) with countries such as Australia, United Kingdom, Belgium, Netherlands, Sweden, Finland, Greenland, Norway, Iceland, Denmark, Portugal, France, Ireland, and Mexico. For more information see <http://www.ifsc.gov.bz/legislation.html>.

15. OPIC and Other Investment Insurance Programs

The Overseas Private Investment Corporation (OPIC) (<http://opic.gov/>) has been involved in two projects in Belize, one in 2002 and the other in 2006.

Belize is a member of the Inter-American Development Bank (IDB), Caribbean Development Bank, the Multilateral Investment Guarantee Agency (MIGA) of the World Bank, and the Central American Bank for Economic Integration (CABEI).

16. Labor

According to the Statistical Institute of Belize (SIB), as of September 2013 the population is an estimated 351,600 persons of which 149,355 comprised the labor force. The official unemployment rate in September 2013 was 14.2% a notable reduction from the 16.1% reported in September 2012. The unemployment rate is three times higher among women than among men. Some observers believe the actual unemployment rate is higher.

Belize has nine trade unions and an umbrella organization, the National Trade Union Congress of Belize (NTUCB). (See the Country Report on Human Rights at <http://www.state.gov/j/drl/rls/hrrpt/2011/wha/186492.htm>).

Foreign investors who have a development concession are permitted to bring in skilled personnel to complement their local labor force, provided that appropriate training programs for Belizean nationals are established.

Most of the unskilled or semi-skilled workers in commercial agriculture are recent immigrants or migrant workers from neighboring Spanish-speaking countries.

Belize has adopted 42 ILO core labor standards, including Convention 182 against the worst forms of child labor.

The Ministry of Labor is charged with enforcing the minimum wage, which generally has been respected in practice. In May 2012 the national minimum wage was increased to BZ\$3.30 (US\$1.65) per hour across-the-board, including agricultural, manual labor, and agro-processing.

17. Foreign Trade Zones/Free Ports

Belize uses its Commercial Free Zone and Export Processing Zone regulations as incentives for foreign and domestic investors, see the section on "Openness To, and Restrictions Upon, Foreign Investment."

18. Foreign Direct Investments and Foreign Portfolio Investment Statistics

Statistics on foreign direct investments in Belize, by country of origin and sector, are unavailable, including the total invested by U.S. investors. There are a number of successful and long-term U.S. owned businesses in Belize, including in sectors such as agro-processing, timber, agriculture, tourism, and service.

In September 2012, a leading U.S. sugar refining company finalized a major investment in Belize's only functioning sugar factory, located in the Orange Walk District. The deal had a total value exceeding US\$90 million to pay off accumulated debt, and to purchase, expand, and upgrade the existing facilities. The facility includes a cogeneration plant that can produce over 25MW of electricity, some of which feeds the national grid. The Belize government cited the investment as an indication that foreign companies are not afraid of investing in Belize.

The Guatemalan branch of a major sugar refining company headquartered in Spain also made a major investment in Belize in 2012. The investment was estimated to be valued over US\$65 million, and would establish a new sugar factory in the Cayo District.

In 2013, a U.S. based cruise line company planned a US\$50 million investment in southern Belize. The Economic Impact Assessment for the project was approved in April 2014. The Belize Tourism Industry Association (BTIA) and some environmental groups have opposed the project. The Government and some private groups support the project.

A U.S. energy exploration company that operates in the United States and Central America was granted petroleum exploration concessions from the Government to conduct seismic surveys in the Sarstoon Temash National Park. Though the Government allows seismic testing in other protected areas, the Sarstoon Temash National Park has attracted considerable

attention because of its environmental sensitivity and the question of indigenous Maya land rights in the area.

The government is also in negotiations with other investors, particularly in agriculture.

Section 5 - Government

Chiefs of State and Cabinet Members:

For the current list of Chiefs of State and Cabinet Members, please access the following - [Central Intelligence Agency online directory of Chiefs of State and Cabinet Members of Foreign Governments](#)

Legal system:

English common law

International organization participation:

ACP, AOSIS, C, Caricom, CD, CDB, CELAC, CFATF, Egmont, FAO, G-77, IADB, IAEA, IBRD, ICAO, ICC (NGOs), ICRM, IDA, IFAD, IFC, IFRC, ILO, IMF, IMO, Interpol, IOC, IOM, ITU, LAES, MIGA, NAM, OAS, OPANAL, OPCW, PCA, Petrocaribe, SICA, UN, UNCTAD, UNESCO, UNIDO, UPU, WCO, WHO, WIPO, WMO, WTO

Section 6 - Tax

Exchange control























The Foreign Exchange Control Act provides that only the Central Bank of Belize and authorised dealers may deal in foreign currencies.




A foreign exchange permit must first be obtained from the Central Bank to pay for goods and services procured outside Belize.

Central Bank approval is also required to secure a loan outside Belize denominated in a foreign currency.

Treaty and non-treaty withholding tax rates

Belize has exchange of information relationships with 27 jurisdictions through 12 DTCs, 16 TIEAs and 1 multilateral mechanism, Convention on Mutual Administrative Assistance in Tax Matters.

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5	
Antigua and Barbuda	DTC	6 Jul 1994	30 Nov 1994	No	No	
Australia	TIEA	31 Mar 2010	1 Jul 2010	Yes	Yes	
Austria	DTC	8 May 2002	1 Dec 2003	No	No	
Barbados	DTC	6 Jul 1994	30 Nov 1994	No	No	
Belgium	TIEA	29 Dec 2009	not yet in force	Yes	Yes	
Denmark	TIEA	15 Sep 2010	9 Mar 2011	Yes	Yes	
Dominica	DTC	6 Jul 1994	30 Nov 1994	No	No	
Faroe Islands	TIEA	15 Sep 2010	26 Dec 2012	Unreviewed	Yes	
Finland	TIEA	15 Sep 2010	13 Sep 2013	Yes	Yes	
France	TIEA	22 Nov 2010	19 Dec 2011	Yes	Yes	
Greenland	TIEA	15 Sep 2010	24 Mar 2012	Unreviewed	Yes	
Grenada	DTC	6 Jul 1994	30 Nov 1994	No	No	
Guyana	DTC	6 Jul 1994	30 Nov 1994	Unreviewed	No	
Iceland	TIEA	15 Sep 2010	3 Nov 2012	Yes	Yes	
Ireland	TIEA	18 Nov 2010	11 Apr 2011	Yes	Yes	
Jamaica	DTC	6 Jul 1994	30 Nov 1994	Yes	No	
Mexico	TIEA	17 Nov 2011	9 Aug 2012	Yes	Yes	
Netherlands	TIEA	4 Feb 2010	1 Jan 2011	Yes	Yes	
Norway	TIEA	15 Sep 2010	26 Feb 2011	Yes	Yes	
Poland	TIEA	16 May 2013	not yet in force	Unreviewed	Yes	
Portugal	TIEA	15 Sep 2010	not yet in force	Yes	Yes	
Saint Kitts and Nevis	DTC	6 Jul 1994	30 Nov 1994	Yes	No	

Jurisdiction	Type of EOI Arrangement	Date Signed	Date entered into Force	Meets standard	Contains paras 4 and 5	
Saint Lucia	DTC	6 Jul 1994	30 Nov 1994	Yes	No	
Saint Vincent and the Grenadines	DTC	6 Jul 1994	30 Nov 1994	Yes	No	
Sweden	TIEA	15 Sep 2010	not yet in force	Yes	Yes	
Trinidad and Tobago	DTC	6 Jul 1994	30 Nov 1994	No	No	
United Kingdom	DTC	1 Jan 1947	1 Jan 1947	No	No	
United Kingdom	TIEA	25 Mar 2010	1 Aug 2011	Yes	Yes	

Methodology and Sources

Section 1 - General Background Report and Map

(Source: [CIA World Factbook](#))

Section 2 - Anti – Money Laundering / Terrorist Financing

	Lower Risk	Medium Risk	Higher Risk
FATF List of Countries identified with strategic AML deficiencies	Not Listed	AML Deficient but Committed	High Risk
Compliance with FATF 40 + 9 recommendations	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
US Dept of State Money Laundering assessment (INCSR)	Monitored	Concern	Primary Concern
INCSR - Weakness in Government Legislation	<2	2-4	5-20
US Sec of State supporter of / Safe Haven for International Terrorism	No	Safe Haven for Terrorism	State Supporter of Terrorism
EU White list equivalent jurisdictions	Yes		No
International Sanctions UN Sanctions / US Sanctions / EU Sanctions	None	Arab League / Other	UN , EU or US
Corruption Index (Transparency International) Control of corruption (WGI) Global Advice Network	>69%	35 – 69%	<35%
World government Indicators (Average)	>69%	35 – 69%	<35%
Fragile States Index (Average)	>69%	35 – 69%	<35%
Offshore Finance Centre	No		Yes

Section 3 - Economy

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: [CIA World Factbook](#))

Section 4 - Foreign Investment

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: [US State Department](#))

Section 5 - Government

Names of Government Ministers and general information on political matters.

(Source: [CIA World Factbook](#) / <https://www.cia.gov/library/publications/world-leaders-1/index.html>)

Section 6 - Tax

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: [OECD](#) [PKF International](#))

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